

Comptroller's Directive No. 2-04
Attachment 5
Leave Liability Statement – Non-CIPPS Users

Purpose

This attachment is used to accumulate leave liability information for recording compensated absence liabilities in accordance with GAAP. This is similar to prior year's Attachment 5.

Applicable agencies

All non-CIPPS users with compensated absence liabilities that are **not** included on a financial statement template must complete this attachment.

Note: Since some Corrections' and Mental Health facilities use CIPPS, DOA will provide the U007 and U008 reports to assist in the preparation of **Leave Attachment – Part 2**, if requested. Contact Ron Necessary at (804) 225-2380 or ron.necessary@doa.virginia.gov to receive these reports.

Due date

August 5, 2004

Submission requirements

Contact DOA if the agency has any problems with the spreadsheets.

After downloading the files, rename the spreadsheet file using the agency number followed by Att5. For example, agency 151 should rename its Attachment 5.xls file as 151Att5.xls.

Submit the excel spreadsheet electronically to finrept@doa.virginia.gov.

Copy APA via E-mail to APAFinRept@apa.state.va.us.

Do not submit paper copies of the excel spreadsheet.

Comptroller's Directive No. 2-04
Attachment 5
Leave Liability Statement – Non-CIPPS Users

**Attachment
revisions**

If attachment revisions are made subsequent to DOA acknowledgement of receipt and acceptance of the original attachment submission, **resubmit the revised attachment AND complete the Revision Control Log Tab in the attachment excel file.**

Enter the revision date, applicable excel file tab name, row number and column letter revised, and the previous and revised information. Document text changes and numerical changes. Only enter changes for amounts actually keyed. For example, if a non-keyed, calculated total changes as a result of the revision, this does not need to be documented on the Revision Control Log.

If the attachment is revised more than once, do not delete control log revision information from the previous revision. Enter the new revision date and the additional revisions in the rows following the initial revision rows. This log should document all revisions from the initial attachment submission.

Definitions

Current Leave Liability – The portion of accrued leave liability associated with employees who terminated on or before June 24, 2004, and who will not be paid for compensated leave until after June 30, 2004.

Long-term Leave Liability – The liability for accrued annual, sick or disability credits, compensatory, overtime, on-call leave, and applicable sabbatical leave for all leave-eligible employees employed by the State on June 25, 2004.

- **Long-term Leave Liability Due Within One Year** – The portion of long term leave liability that is due within one year after the fiscal year end. For fiscal 2004, it is the liability due by June 30, 2005.
 - **Long-term Leave Liability Due Greater Than One Year** – The portion of long-term leave liability that is due after June 30, 2005.
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Comptroller's Directive No. 2-04
Attachment 5
Leave Liability Statement – Non-CIPPS Users

GASBS No. 16
requirements

GASBS No. 16, *Accounting for Compensated Absences*, requires the accrual of compensated absence liability, regardless of fund type. Leave liability should include the following.

- Employer's share of Social Security and Medicare taxes on all accrued compensated absences.
- Termination payments for sick leave or disability credits for employees who are vested.
- Other leave earned such as sabbatical leave (if unrestricted in nature), on-call, overtime, and compensatory leave that has not been used by or paid to the employee.
- Employer contribution payments made to defined contribution or cost-sharing multiple employer defined benefit pension plans, if associated with service.

For governmental funds, only the current portion of the liability should be reported in the fund statements. The current and long-term leave liability should be reported in the government-wide statements.

Impact of
Virginia
Sickness and
Disability
Program
(VSDP)

For those employees who participate in the VSDP and converted sick leave balances to Virginia Retirement System service credit, the accrual for compensated absences will no longer include an amount for sick leave.

However, for those employees who participate in the VSDP and converted sick leave balances to disability credits, the accrual for compensated absences **will include an amount for disability credits**. The calculation of this amount should result in the same amount as would have been calculated for sick leave had these employees remained in the current sick leave program.

General
information

Complete all yellow cells on **Leave Attachment – Parts 1 and 2**. Validation fields have been created to ensure agreement between appropriate amounts reported on each page. If error messages are displayed, please revise the information as required to eliminate the error messages. In addition, Pages 6 & 7 provide an auditor approved methodology that can be used to complete **Leave Attachment – Part 2**. Also, when leave due within one year and greater than one year are summed, the total must agree to the total leave reported on **Leave Attachment – Part 1**.

Comptroller's Directive No. 2-04
Attachment 5
Leave Liability Statement – Non-CIPPS Users

**Completing
Attachment –
Page 1**

Perform the following steps:.

Step	Action
1	Determine the leave balance at June 24 for each employee, using the agency's records. Leave should include annual, compensatory, overtime, on-call, 25% of sick or disability credits , and applicable sabbatical leave.
2	Determine each employee's hourly rate by dividing the annual salary at June 24 by standard full time hours of 2,080.
3	Multiply the hours for each leave category by the hourly rate. (See special instructions below for sick leave or disability credits.)
4	Calculate and include employer's tax payment for Social Security and Medicare on the leave liability. Based on individual employee salaries, Social Security is 6.2% on a maximum salary base of \$87,900 and Medicare is 1.45% on all salaries.
5	Compute additional leave liability for sabbatical leave and any pension contributions if applicable. (Since VRS is an agent multiple-employer defined benefit plan, no additional accrual is necessary for VRS contributions.)
6	Allocate the leave liability for each employee to the appropriate funds based on the total salary provided by each fund / fund detail and function. (Functions are described on Instructions – Page 5 of this attachment.)
7	Aggregate the information at the agency level.
8	Compute the current leave liability and adjust the long-term liability for the current portion.
9	Retain copies of all computations for review by auditors.
10	Complete the fluctuation analysis explanation if the spreadsheet indicates a fluctuation is required.

**Sick leave or
disability
credits**

For employees with greater than 5 years of service, the sick leave or disability credits liability is limited to the lesser of 25% of leave earned or \$5,000.

Comptroller's Directive No. 2-04
Attachment 5
Leave Liability Statement – Non-CIPPS Users

**Functional
codes defined**

Functional codes are the first number in every program code. For example, program code 1031000 “Community Services” would fall under the “Education” function. Each functional code and its corresponding description are below.

- 1-Education
 - 3-Administration of Justice
 - 4-Individual and Family Services
 - 5-Resources and Economic Development
 - 6-Transportation
 - 7-General Government
 - 8-Enterprises
-

**GASBS No. 34
requirements**

GASBS No. 34 **did not** change how total leave is calculated under GASBS No. 16. The GASBS No. 34 total leave liability amount should equal the total amount (total leave liability before deducting current leave liability) calculated using **Leave Attachment – Part 1**.

GASBS No. 34 requires the leave liability amount to be reported on the Government-wide Statements in two line items - amount due within one year and amount due in greater than one year. Leave liability becomes due upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances. These events cannot be known reliably in advance so the amount due within one year must be estimated.

Comptroller's Directive No. 2-04
Attachment 5
Leave Liability Statement – Non-CIPPS Users

**Attachment –
Page 2 -
Manually
calculate the
amount due
within one year**

The total leave liability (total amount before deducting current leave liability) has already been calculated using **Leave Attachment – Part 1**. Agencies have to manually calculate the leave liability amount that is due within one year. The following is an auditor approved suggested methodology. **Upon calculating the long-term leave liability due within one year and greater than one year, report the amounts on Leave Attachment – Part 2.**

Perform the following steps to calculate the amount due within one year.

Step	Action
1	Project the number of annual and sick leave hours that will be accrued in the next fiscal year (7/1/04 to 6/30/05) for each employee and in total. (Maximum carry forward limits should not have to be taken into account as the amount accrued in a 12 month period cannot exceed the maximum limits by years of service.)
2	Determine each employee's hourly rate by dividing the salary rate at June 30, 2004 by standard full time hours of 2,080.
3	Multiply the projected hours in Step 1 for each leave category by the hourly rate.
4	Calculate a percentage for annual leave hours used and paid out compared to annual leave hours accrued. Calculate a second percentage for sick leave hours used and paid out compared to sick leave hours accrued. (For example, agency XYZ used and / or paid out 1,000 hours of annual leave. The annual leave hours earned for agency XYZ were 4,000. Therefore, the percentage factor for XYZ annual leave usage would be 25%). This calculation can be done on a fiscal year or calendar year basis using historical data.
5	Multiply the percentages for annual and sick leave usage in Step 4 by the projected annual and sick leave liabilities calculated in Step 3.
6	Aggregate the information for annual and sick leave in total. This is the amount due within one year.
7	Adjust the long-term leave liability for the amount due within one year.
8	Retain copies of all computations for review by auditors.

Comptroller's Directive No. 2-04
Attachment 5
Leave Liability Statement – Non-CIPPS Users

GASBS No. 34
footnote
disclosure

The following information is required footnote disclosure under GASBS No. 34.

- Beginning Balance – should equal the prior year ending balance
- Increases – use the amount calculated in Step 3 on Instructions – Page 6 of this attachment
- Decreases – calculated amount since other three amounts are known
- Ending Balance – should equal the total leave liability calculated on **Leave Attachment - Part 1**.
- Amount due within one year – should equal the amount calculated in Steps 5 and 6 on Instructions – Page 6.

DOA realizes the projected leave liability amounts are being used as current year increases. (Agencies may calculate increases based on actual current year information.) The due within one year amount calculated for the current fiscal year can be used as increases in the next fiscal year.

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